



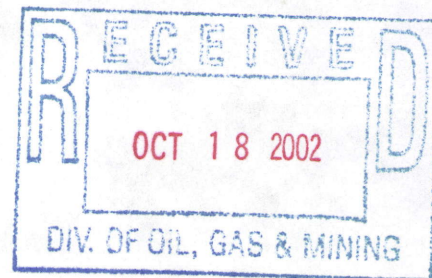
# State of Utah

School and Institutional  
TRUST LANDS ADMINISTRATION

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Michael O. Leavitt  
Governor  
Stephen G. Boyden  
Director

CERTIFIED MAIL # 7106 4575 1292 2028 4263 October 16, 2002



Sunray Mineral Products, Inc.  
4986 Spanish Valley Dr.  
Moab, UT 84532

RE: Mineral Lease ML 44815-Clay  
DOGM Permit #S/055/006, Factory Butte Mine (Humic Shale)

Gentlemen:

*file*

Increased activity has been observed at the Factory Butte humic shale mine. It is noted that a new pit has been opened up at a location several hundred feet east of the original diggings and that leased substances have apparently been removed from the new pit.

No production or removal of the leased substances from the new pit has been reported to the Trust Lands Administration. I am writing to call your attention to Article VI of the mineral lease requiring Lessee to report production and pay accrued royalties not later than the last day of the month succeeding the month in which production or removal of the leased substances occurs. Annual rental and minimum royalty may be credited against production royalty, but a report of such production and royalty calculation is nevertheless required.

Also, Article XII of the terms and conditions of the lease requires that Lessee notify the Trust Lands Administration not less than sixty days before commencing operations which will disturb the surface of the leased lands. The new pit that has been opened up is a new disturbance and is in variance with the original plan of operations submitted to the Trust Lands Administration.

From date of this letter Lessee has thirty days to make remedy by submitting an amended plan of operations to account for the new surface disturbances and to report all unreported production from the leasehold and calculate and pay any royalties that may have accrued to the trust.

Please contact me if you have any questions in this matter.

Sincerely,

John T. Blake  
Mineral Resources Specialist

CC: Paul Baker